



McGregor W. Scott
United States Attorney
Eastern District of California

Sacramento
501 I. Street, Ste 10-100
Sacramento CA 95814
Tel (916) 554-2700
TTY (916) 554-2855

NEWS RELEASE

Fresno
2500 Tulare St., Suite 4401
Fresno, CA 93721
Tel (559) 497-4000
TTY (559) 497-4500

FOR IMMEDIATE RELEASE

September 15, 2006

Contact: Patty Pontello, 916-554-2706

www.usdoj.gov/usao/cae

ABUSIVE TRUST PROMOTER SENTENCED TO MORE THAN 5 YEARS IN PRISON

SACRAMENTO--United States Attorney McGregor W. Scott and Roger L. Wirth, Special Agent-in-Charge of the IRS Oakland Field Office, announced today that CALVIN AVILA, 69, from Sacramento, was sentenced by United States District Judge William B. Shubb on September 13, 2006 to 63 months in prison on federal income tax charges. On June 30, 2006, AVILA and one of his clients, Charles Sigerseth, were convicted of conspiracy to defraud the United States in the assessment and collection of taxes, and each defendant was convicted of two counts of tax evasion, with defendant AVILA being convicted of aiding and abetting Sigerseth concerning Sigerseth's 1995 and 1996 federal income tax returns.

This case is the product of an extensive investigation by the Criminal Investigation Division of the Internal Revenue Service.

According to Assistant United States Attorney Richard Bender, who prosecuted the case, the evidence introduced at trial showed that Sigerseth attended a seminar put on by a company called "National Trust Services" (NTS) who told Sigerseth that by putting his business into a "business trust" (to which Sigerseth purportedly assigned his income) and directing all business profits to a "family trust," he could write off all personal expenses (food, entertainment, house cleaning, house furnishings and maintenance) as business deductions on the family trust returns. Further, he was told, any remaining taxable income could be "set-aside" into a "family foundation" that would purportedly later be donated to charity and that, as a result, the "set-aside" amount constituted a charitable deduction. Mr. Sigerseth implemented this scheme and used it for his 1993-1997 tax returns, usually paying just 10% of what he actually owed in federal taxes.

At trial the evidence showed that, in fact, the multi-tiered trust scheme failed on multiple legal fronts. First, the assignment of Sigerseth's right to receive the profits of his insurance business to the family trust were ineffective in shifting his liability for taxes since he was the person who had the right to receive and control the income. Second, placing the family home and other assets into the "family trust" did not magically convert non-deductible personal family expenses into deductible business expenses since legitimate business deductions must be directly tied to the generation of income. Third, one cannot legitimately receive a charitable deduction for amounts merely "set-aside" for that purpose, particularly when, as here, the funds remained under

the sole control of Sigerseth.

Sigerseth's 1993 and 1994 tax returns were audited by the IRS in 1997. Sigerseth's 1995 and 1996 tax returns were also audited, and he hired AVILA to help him with his disputes with the IRS. AVILA was himself a promoter of these tax evading trust arrangements and convinced Sigerseth that the NTS trusts were simply poorly drafted. AVILA redrafted the business and family trusts, and appointed himself as trustee. Thereafter, both Sigerseth and AVILA took the position with the IRS that the trusts were "pure trusts" that were somehow beyond the regulation of, or taxation by, federal and state government. Both defendants were defiant in response to repeated requests for information from the IRS and sent material to the IRS claiming, among other things, that the IRS was not a real government agency, and that the Internal Revenue Code was not valid law since the regulations pertained to the U.S. Bureau of Alcohol, Tobacco and Firearms. They also took steps to make collection of Sigerseth's 1995 and 1996 tax liability more difficult by opening new bank accounts with false taxpayer I.D. numbers and names not associated with Sigerseth, and by filing a Tax Court petition for purposes of delay.

According to Roger Wirth, Special Agent in Charge of the IRS Oakland Field Office, "This case clearly demonstrates that the IRS will not tolerate promoters of abusive tax schemes or the individuals who use them to evade their taxes. Such promoters put themselves and their clients at serious risk of financial loss, civil penalties and criminal prosecution."

Sigerseth is scheduled to be sentenced on December 13, 2006, before Judge Shubb.

###